

Message Text

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42

ACTION EA-14

INFO OCT-01 ISO-00 COME-00 EB-11 SEC-03 TRSE-00 OMB-01 L-03

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FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 8834

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

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E.O. N/A

TAGS: BBAK, VS

SUBJECT: ALLEGED STOCK FRAUD

REF: STATE 205842

1. SUMMARY. MANY AMERICANS SUSTAINED SUBSTANTIAL LOSSES FROM DEALINGS WITH UNIVERSAL SECURITIES ADVISORS (USA). HEAVY COMMODITY TRADING LOSSES IN MARCH 1973 FORCED THE LIQUIDATION OF THE FIRM'S SECURITIES HOLDINGS IN A COMMINGLED ACCOUNT WITH THE HONG KONG OFFICE OF RICHARDSON SECURITIES OF CANADA. USA IS REPORTEDLY OVER \$400,000 IN DEBT TO RICHARDSON. SINCE Q A'S DEBTORS FOR VARIOUS REASONS ARE REFUSING TO HONOR THEIR DEBTS, USA HAS BEEN UNABLE TO PAY OFF ITS CREDITORS. END SUMMARY.

2. ON BASIS COMATT INTERVIEW OF ROBERT L. KLETZKER SIAMERICA SECURITIES ADVISOR (SSA) CLOSED SAIGON LIAISON OFFICE IN DECEMBER 1971. KLETZKER, WHO HAD WORKED FOR SSA, FORMED UNIVERSAL SECURITIES ADVISORS (USA) IN HONG KONG IN JANUARY 1972 AND AGREED TO TAKE OVER SSA'S CUSTOMERS OVER A SIX MONTHS' PERIOD BEGINNING MARCH 1, 1972. USA CLAIMS IT RECEIVED WRITTEN AUTHORIZATION FROM GVN MINISTRY OF ECONOMY FOR QUOTE SEEING CLIENTS IN VIETNAM REGARDING PRESERVATION OF THEIR RIGHTS

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IN INVESTMENT COMPANIES IN THE UNITED STATES UNQUOTE.

EMBASSY HAS NOT MADE INQUIRY OF GVN CONCERNING USA'S RIGHT TO DO BUSINESS, HANDLE SECURITIES ORDERS AND SALES, CONCLUDE DOLLAR OR OTHER FOREIGN EXCHANGE TRANSACTIONS, ETC., PARTICULARLY IN LIGHT OF ALLEGED CIVIL AND CRIMINAL ACTIONS BEFORE GVN COURTS AGAINST KLETZKER AND ACTION BY KLETZKER AGAINST AN AMERICAN CLIENT TO RECOVER AMOUNT ALLEGEDLY OWED ON ACCOUNT.

3. USA OPERATED ON BASIS TAKING ORDERS IN SAIGON FROM CLIENTS AND PLACING ORDERS WITH BROKERS IN HONG KONG, CHARGING CLIENTS DOUBLE COMMISSION. USA CLAIMS TO HAVE HAD 150 ACCOUNTS WITH AMERICANS, 2 WITH HONG KONG CHINESE, 1 WITH FILIPINO, 8 WITH FRENCHMEN AND 4 WITH ENGLISHMEN. DURING TRANSITION PERIOD (MARCH 1 TO AUGUST 1972) ORDERS WERE SENT TO SIAMERICA IN BANGKOK, WHO IN TURN CONSOLIDATED THEM WITH LATTER'S ORDERS TO LOEB RHODES IN HONG KONG AND LATTER PLACED THEM WITH NYC OFFICE. FROM SEPTEMBER 1972 USA SWITCHED TO HONG KONG OFFICE OF BACHE AND CO. KLETZKER CLAIMS BACHE AND CO. WAS TOO SLOW IN RESEARCH RESPONSE HENCE USA IN DECEMBER 1972 TRANSFERRED ITS ACCOUNT TO HONG KONG OFFICE OF RICHARDSON SECURITIES OF CANADA. ONE AMERICAN INVESTOR FURNISHED CONTRADICTIONARY INFORMATION TO EFFECT THAT BACHE AND CO. HAD EXAMINED USA'S METHOD OF DOING BUSINESS AND CONSIDERING IT IRREGULAR HAD DECIDED TO DISCONTINUE SERVING USA.

4. USA COMMINGLED ASSETS OF ITS CLIENTS IN ITS OWN TRADING ACCOUNT WITH RICHARDSON, HONG KONG. ONE AMERICAN INVESTOR CLAIMS THAT SOME OF USA ORDERS WERE PLACED WITH MERRILL LYNCH, HONG KONG AND THAT MERRILL LYNCH RECEIVED CUSTOMERS' CHECKS TRANSMITTED BY USA SO THAT MERRILL LYNCH, HONG KONG, HAD TO KNOW USA WAS PLACING CLIENT'S ORDERS. KLETZKER IN INTERVIEW WITH COMATT CLAIMS THAT PETER DUFFEY, ASSISTANT MANAGER, RESIGNED FROM USA ON MARCH 25, 1973, LEFT FOR HONG KONG ON MARCH 28, 1973 AND OPENED ACCOUNT WITH MERRILL LYNCH HONG KONG WITH MONEY GIVEN HIM BY 7 OR 8 INDIVIDUALS. HAVE NO INFORMATION WHICH OF THESE VERSIONS CORRECT.

5. USA'S INSOLVENCY OCCURRED WHEN COFFEE PRICES FELL IN LIMITED OFFICIAL USE

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MARCH 1973 AND USA IN DEBT TO RICHARDSON FOR ABOUT \$414,000. USA CALLED ON CLIENTS FOR ADDITIONAL FUNDS AND RICHARDSON SOLD OUT SECURITIES HELD IN USA'S ACCOUNT. RICHARDSON HAS NOT INSTITUTED SUIT AGAINST USA. ABOUT \$125,000 WORTH OF CLIENTS FULLY PAID UP SECURITIES WERE SOLD BY RICHARDSON TO REDUCE COMMODITY TRADING LOSSES.

6. KLETZKER APPROACHED USAID TO TRY TO HAVE USAID INTER-

VENE WITH 3 USAID EMPLOYEES ALLEGEDLY INDEBTED TO USA FOR PURPOSES OF OBTAINING PAYMENT TO BE USED TO PAY 12 USAID EMPLOYEES TO WHOM USA INDEBTED. KLETZKER WAS INFORMED THIS IS NOT USG MATTER AND USAID CANNOT ADJUDICATE INDEBTEDNESS OR SERVE AS COLLECTION AGENCY. KLETZKER ACKNOWLEDGED USAID EMPLOYEES DO NOT ADMIT INDEBTEDNESS NOR HAS HE OBTAINED JUDGEMENT SO THAT UNDER UNIFORM REGULATIONS NO INDEBTEDNESS ESTABLISHED. USAID EMPLOYEES INDICATE READINESS TO LITIGATE KLETZKER CLAIMS. MEANWHILE TWELVE USAID EMPLOYEES, CREDITORS OF USA, ACKNOWLEDGED BY KWXTZKER, CANNOT OBTAIN PAYMENT AND HAVE IN SEVERAL CASES HAD THEIR SECURITIES SOLD TO PAY DEBTS OF USA. APPEARS NO EFFORT WAS MADE BY KLETZKER TO SEGREGATE CUSTOMERS ACCOUNTS OR PROTECT THEIR ASSETS. HOWEVER CREDITORS POINT OUT THAT HONG KONG BROKERS KNEW OR HAD TO KNOW THAT CUSTOMERS ASSETS WERE COMMINGLED IN USA'S ACCOUNT.

7. ALL DOCUMENTATION AMPLIFYING FOREGOING SUMMARY BEING POUCHED. REPORT COMPILED JOINTLY BY COMATT AND USAID LEGAL ADVISOR.

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